

ACTION

AGENDA ITEM: Access Services: Multitype Pilot Loan Programs

ISSUES TO COME BEFORE THE BOARD AT THIS MEETING:

1. Consideration of continuing the interlibrary loan pilot program in FY 2001/02.
2. Consideration of implementing a direct loan pilot program in FY 2001/02.

<p><u>RECOMMENDED MOTION FOR CONSIDERATION BY THE BOARD:</u> I move that effective July 1, 2001, the Library of California Board continue its interlibrary loan pilot program through June 30, 2002, and that during this period of time all compensation for nonpublic libraries' interlibrary loans to public libraries be paid from California Library Services Act funds.</p>
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<p><u>RECOMMENDED MOTION FOR CONSIDERATION BY THE BOARD:</u> I move that the Library of California Board delay implementing a statewide direct loan compensation program until such time as adequate funding is available to support such a program without seriously and adversely affecting Library of California statewide programs as well as services and programs offered by regional library networks.</p>
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Interlibrary Loan Pilot Program:

ISSUE 1: Consideration of continuing the interlibrary loan pilot program in FY 2001/02.

BACKGROUND:

The January 2001 release of the Governor's 2001/02 Budget included an augmentation of \$3,200,000 to continue implementation of the Library of California by funding compensation to reimburse libraries to share their materials with other libraries. However, with the release of the May Revise of the Budget on May 14, the augmentation was eliminated. This was in effect a double hit to the Library of California program and budget:

1. The funding source for loan compensation was removed from the budget. The development of the 2001/02 Library of California budget by staff and the Board to date has included the assumption that Library of California loan compensation

programs would be funded by the augmentation, and therefore none of the continuing local assistance baseline of \$3,988,000 has been budgeted for loan compensation.

2. Staff also had fully expected to be able to redirect part of the augmentation to the regional networks to support the telecommunication and delivery elements of interlibrary loan and direct loan transactions, thereby enhancing regional budgets.

With the elimination of the \$3,200,000 augmentation, the Library of California Board must determine what to do regarding its loan compensation programs during the next fiscal year (2001/02). Staff has developed several options for the Board's consideration. In constructing these options, staff assumed the following:

- Based on interlibrary loan transactions claimed in 1999/00 and in nine months of 2000/01, a minimum of \$825,000 will be necessary to fund the interlibrary loan pilot program in 2001/02. This takes into account 1) a reimbursement rate increase to \$3.82; 2) a small reduction in the number of active participants who will not be Library of California members as of July 1; and 3) a probable small reduction in claimed transactions due to the requirement that only loans to other members will be eligible for compensation. The actual cost could be higher; the table below shows the potential growth if all nonpublic library members of the Library of California claimed interlibrary loan reimbursement, and also shows potential future growth. These figures include loans to all four types of libraries. However, staff projects that the actual cost of the program will be close to the \$825,000 figure stated above; a significant increase in the number of participants in the program is not anticipated at this time. If in fact many new libraries do apply to participate in the program, staff will return to the Board to discuss the potential effect on the cost of the program and the most appropriate method of handling the situation.

2001/02 Maximum Cost Projections for ILL Program

Pilot Participants		Loans in 9 Months 7/00-3/01	Annualized Average Loans Per Member	2001/02 Members *	Projected Total Loans	Cost @ \$3.82
Academic	98	163,741	2274	153	347,922	\$1,329,062
Special	16	744	61	111	6771	25,865
School	4	355	40	133	5320	20,322
2001/02 totals					360,013	\$1,375,249
Growth Factor @ 25%					450,016	\$1,719,061

* Membership for 2001/02 based on April 1 cut-off date

- Public libraries will continue to be reimbursed for interlibrary loans and direct loans through CLSA in 2001/02.

- Nonpublic libraries could be reimbursed for interlibrary loans to public libraries from CLSA funds (with no Library of California membership restrictions). In 1999/2000, loans to public libraries accounted for 25% of claimed transactions. In the current fiscal year, loans to public libraries are running lower, at about 17% of all claimed transactions, but it is unclear at this point whether this is actually a downward trend. Therefore, staff believes it is reasonable to project nonpublic library loans to public libraries will be approximately 20% of total interlibrary loan transactions claimed by nonpublic libraries in FY 2001/02. Staff estimates that, pending the final version of the state budget, the CLSA Transactions Based Reimbursements budget will be sufficient to include full reimbursement both to public libraries for loans to all eligible libraries *and* to nonpublic libraries for loans to public libraries. Although this would be at least a temporary reversal of Board policy to fund all nonpublic library interlibrary loan claims out of Library of California monies, it would reduce the amount of remaining funds required to continue the interlibrary loan pilot program to \$660,000:

Estimated minimum cost of 2001/02 interlibrary loan pilot program	825,000
20% loans to public libraries	<u>-165,000</u>
Remaining funding required to continue program	\$660,000

- The principal source for funding a Library of California loan compensation program such as the current interlibrary loan pilot program is Library of California local assistance funding. However, it is possible that another funding source, such as a legislative appropriation or an LSTA grant, could become an element of the 2001/02 Library of California budget and could affect the amount of Library of California funds needed to support the continuation of loan compensation programs.
- One potential option that was initially considered by staff but ultimately was not included in the recommendations developed for the Board was to reduce the total regional library network allocation approved by the Board at its April 2001 meeting by \$660,000, in order to provide the remaining funding necessary to continue the interlibrary loan pilot program. This would entail reducing each regional library network's 2001/02 allocation by 20%. Staff believes that funding 80% of the pilot program through reductions in the regional networks' allocations is too heavy a burden for the networks to bear during this early and crucial stage of their development. Exhibit A displays the impact a reduction of this magnitude would have on the regional library networks' 2001/02 allocations.

Options developed by staff include:

1. Temporarily suspend the interlibrary loan pilot program during 2001/02.

With this option: 1) the current allocation to the networks to support regional operations, as approved by the Board at its April 2001 meeting, would not be reduced by the amount needed to fund interlibrary loan compensation; 2) the Board would be following the direction of the Governor in determining where program cuts should be

made within the Library of California, since the \$3,200,000 budget augmentation that has been eliminated was specifically for loan compensation programs; and 3) nonpublic libraries would be eligible for compensation for interlibrary loans to public libraries under CLSA.

However, the earliest and longest ongoing Library of California program instituted by the Board would be temporarily halted. Currently the interlibrary loan pilot program represents the principal participation in Library of California activities for most academic library members. Those libraries, as well as the school and special library members participating in the pilot program, would experience an 80% decrease in interlibrary loan compensation during FY 2001/02.

2. Reduce the total regional library network allocation by \$330,700, and reduce Library of California funding for the Library of California Periodicals/Serials database by \$329,300, in order to sufficiently fund the interlibrary loan pilot program.

CLSA funded nonpublic library loans to public libraries	20%	165,000
Reduction of allocation to regional library networks	40%	330,700
Reduction of funding for Periodicals/Serials database	<u>40%</u>	<u>329,300</u>
Estimated cost of 2001/02 interlibrary loan pilot program	100%	\$825,000

This option would provide sufficient funding to continue the interlibrary loan pilot program through FY 1001/02. 40% of the pilot program cost would be derived from a reduction in the regional library networks' 2001/02 allocations; this would entail an approximate 10% reduction from each network's allocation as approved by the Board at its April 2001 meeting. If this reduction is approved, the Board will have numerous options to consider at its August 2001 meeting regarding how to implement the reduction. Potential options include: 1) take the \$330,700 from the regional library networks' base allocations; 2) take the \$330,700 from the regional library networks' membership/participating library allocations; 3) take the \$330,700 from the regional library networks' total allocations; or 4) combine partial reductions from both the baseline and membership/participating library allocations; for example take \$175,000 from the total baseline allocation and \$155,700 from the total membership/participating library allocation. Exhibit B shows the effect of each of these options on the regional library networks' allocations.

Another 40% of the pilot program cost would be derived from reducing Library of California funding for its Periodicals/Serials database. For more information regarding the latter reduction, please see Documents 17 and 25.

Recommendation:

Staff recommends that the Board implement Option #2. 2001/02 will be the first full year of operations for all seven regional library networks, and to reduce their already minimal state funding support more than absolutely necessary would be a severe blow to the networks' organizational and service plans. At the same time, to reduce academic,

school, and special libraries' interlibrary loan compensation by 80% would impact their incentive to continue sharing resources as well as their own library budgets.

In preparation for the August 2001 Board meeting, staff also requests from the Board, if possible, a sense of the preferred method of reducing regional library network allocations (please refer to the suggestions discussed in Option #2 above).

Direct Loan Pilot Program:

ISSUE 2: Consideration of implementing a statewide Library of California direct loan pilot program.

Staff recommends that the Board delay implementing a Library of California direct loan pilot program, because:

- The Governor has eliminated the state budget augmentation for Library of California loan programs.
- Delaying implementation of a direct loan pilot program will have a minimal impact on Library of California resource-sharing activities. Most nonpublic library members have not assigned a high priority to direct loan service or are taking a "wait and see" position on offering direct loan services. Relatively few nonpublic libraries indicated on their membership applications that they were interested in direct loan as a resource-sharing activity.
- Funding a direct loan pilot program will require further reductions in regional library network allocations and/or Library of California statewide allocations.

GENERAL OVERALL PROGRAM UPDATES:

INTERLIBRARY LOAN PILOT PROGRAM:

Exhibit C shows activity in the interlibrary loan pilot program through March 2001. Exhibit D displays statistics for the third quarter for libraries in the pilot program.

RELATED ISSUE TO COME BEFORE THE BOARD IN THE FUTURE: What funding formulas are appropriate for the loan components of Library of California access services?

Relevant Committee: Access Services
Staff Liaison: Tom Andersen